

**Department of Housing
City of Chicago
Community Development Commission
May 12, 1998**

**43rd Street/Cottage Grove
Project Developer Designation
Summary Sheet**

Actions

Requested:

- 1) Approve the advertisement of the Department of Housing's intention to negotiate a Redevelopment Agreement with Hearts United Limited partnership for the use of tax increment revenue for the redevelopment of the 43rd Street/Cottage Grove Avenue Tax Increment Redevelopment Project.
- 2) Approve the request for alternative proposals for the redevelopment of the 43rd Street/Cottage Grove Avenue Tax Increment Financing Redevelopment Project Area.
- 3) Designate Hearts United Limited Partnership as a Developer in the Tax Increment Financing Redevelopment Project Area if no other responsive proposals are received.

Project:

43rd Street - Cottage Grove Avenue
Hearts United Community Development Initiative

Location:

The Area is located in the Grand Boulevard Community. It is bounded on the East by Cottage Grove Avenue from 47th Street on the South to Oakwood Boulevard on the North. The boundary then proceeds West on Oakwood to Langley and then North on Langley to Pershing Road. At Pershing, the boundary heads West to Vincennes Avenue and then South on Vincennes to 44th Street. At 44th Street, the boundary heads East to St. Lawrence Avenue and then South on St. Lawrence to 47th Street. At 47th Street, the Boundary continues East to Cottage Grove Avenue. Refer to Attachment 1 for map of the boundaries.

Size:

The Area is approximately 200.7 acres in size covering an area of 34 blocks.

Developers:

Hearts United Limited Partnership. Bonheur Development Corporation, Fred Bonner President, General Partner. Hearts United Community Development Corporation, Limited Partner.

Type of Development: 150 units of multi-family rental housing in 6 flat, 4flat and 2 flat buildings. See attachment 2 for a rendering of the buildings to be built.

**Ward/
Alderman:** The Area is located in the City's 4th Ward, Toni Preckwinkle, Alderman. Alderman Preckwinkle has provided a letter of support for this designation.

Summary: The City seeks to create a Tax Increment Financing (TIF) District to be known as the 43rd Street - Cottage Avenue Redevelopment Project Area. TIF increment will be used, together with project revenue, DOH HOME funds, a CHA capital contribution and tax credit equity to provide funds for the construction of rental housing units.

Issues: No acquisition of property will be necessary to complete this development.

Public meetings were held on April 21, 1998 and on April 28, 1998 to introduce the proposed Project and to solicit community comments. In addition, a public meeting was held on Februray 24, 1998 to discuss the the TIF designation. The developers, together with Alderman Preckwinkle's Office, have held numerous smaller meetings within the community to discuss the plan for development.

Project Benefits: The Department of Housing believes that the investment of public resources will serve as a catalyst for further community development. As people begin to move back into the community, both the residential and commercial sectors will benefit from private investment. This project will play a vital role as it is the first step in what will ultimately be a successful community revitalization.

**Community Development Commission Meeting
May 12, 1998
43rd Street - Cottage Grove Avenue**

Staff Report

**Approve The Advertisement of the
Department of Housing's
Intention to Negotiate a Redevelopment Agreement With
Hearts United Limited Partnership
For the Use of Tax Increment Revenue For The Redevelopment of The
43rd Street/Cottage Grove Avenue Tax Increment
Redevelopment Project Area**

**Approve the Request for Alternative Proposals for the
Redevelopment of the
43rd Street/Cottage Grove Avenue Tax Increment
Financing Redevelopment Project Area**

**Designate Hearts United Limited Partnership
as a Developer in the
Tax Increment Financing Redevelopment Project Area
If No Other Responsive Proposals are Received**

Mr. Chairman and Members of the Commission:

The resolution before you requests that the Commission

- 1) Approve the advertisement of the Department of Housing's intention to negotiate a Redevelopment Agreement with Hearts United Limited Partnership for the use of tax increment revenue for the redevelopment of the 43rd Street/Cottage Grove Avenue Tax Increment Redevelopment Project Area.
- 2) Approve the request for alternative proposals for the redevelopment of the 43rd Street/Cottage Grove Avenue Tax Increment Financing Redevelopment Project Area.
- 3) Designate Hearts United Limited Partnership as a developer in the Tax Increment Financing Redevelopment Project Area if no other responsive proposals are received.

Background:

The proposed Project Area is roughly bordered by 47th Street on the South, 39th Street on the North, Cottage Grove Avenue on the East and Vincennes Avenue on the West. The Area is approximately 200 acres in size covering an area of 34 blocks. The Area is located within the City's Grand Boulevard Community.

Due to loss of jobs in the Community, population levels have fallen dramatically since the 1950's. Loss of population, coupled with lack of investment has combined to create a neighborhood characterized by deteriorated housing stock and vacant parcels of land. The City has recognized the need for intervention in and around the Area and adopted the Cottage Grove-43rd Street Redevelopment Area Designation Report in May, 1997. The Plan delineates certain strategies to accomplish redevelopment. These strategies include, 1) assembling parcels of land in order to concentrate housing development in the most favorable locations, 2) financial and technical assistance for the rehabilitation of residential properties whenever possible, and 3) upgrading public infrastructure.

Proposed Development

The Department of Housing has received a proposal from Hearts United Limited Partnership to begin the process of redevelopment. The proposal consists of the construction of 150 units of rental housing in 3-flat, 6-flat and 2-Unit rowhouse buildings.

Location:

Development will take place between 41st Street and 43rd Street. This area is located in the northern half of the Proposed 43rd Street/Cottage Grove Avenue Tax Increment Financing District. Most of the construction will take place East of St. Lawrence Avenue and West of Cottage Grove Avenue.

Timing:

If necessary approvals are received, construction on the project will commence in the summer, 1998 and will be completed by January, 2000.

Developer:

The Project will be developed by Bonheur Development Corporation, Fred Bonner President. Mr. Bonner has formed the Hearts United Limited Partnership which has the Bonheur Development Corporation as a General Partner. As a developer, Mr. Bonner has developed 440 units of housing in Chicago and elsewhere. In addition, Mr. Bonner has served as a consultant in the construction or rehabilitation of 18 other development projects. The Department of Housing has reviewed the proposal and believes that Bonheur Development Corporation is capable of completing the project it has proposed.

Costs:

The total development cost of this project is expected to be \$17,656,856. The sources and uses for the project are detailed on Exhibit 1.

City Funding Commitment:

TIF Increment

The Proposed Developer has requested a TIF subsidy of up to \$195,000/year. These funds, together with cash flow from the Project will be dedicated to pay debt service on a bond issue with the TIF proceeds being used to pay 1/3 of the interest as allowed. Bonds will be issued to provide "up front" funds for

construction. This proposed use of TIF funds is allowed under the 43rd Street/Cottage Grove Avenue Tax Increment Financing Redevelopment Project and Plan. A table of the estimated Redevelopment Project Costs is attached as Exhibit 2.

DOH HOME Funds

The Department of Housing will allocate \$4,994,458 of its Federal HOME funds to provide a second mortgage for the project. This amount is the minimum amount necessary to make to project feasible.

Tax Credits

Because of the use of bond financing, the Project will be eligible to receive Federal Low Income Housing Tax Credits. These credits are generated by the bonds and are not a part of the City's annual allocation. The award will be in the amount of 4% of the "Tax Credit Basis of the Project" and will be for a period of 10 years. In order to derive up front funding, the project developer will sell these credits to a syndicator. This sale is expected to net approximately \$3,000,000.

Land

The City will convey parcels of land to the Developer for construction. The Department of Housing has determined that none of the parcels are of a value to exceed \$20,000. As these parcels are to be used for affordable housing, the Department of Housing proposes to convey these parcels to the developer for the cost of \$1.00 each. Attachment 3 contains the addresses and PIN's of the City-owned parcels to be conveyed to the developer for this project

Acquisition:

The Proposed development will not require the acquisition of property. All buildings are to be built on vacant parcels of City-owned property. The Proposed Developer is in the process of acquiring properties through arms-length transactions with some local property owners. The Department of Housing feels that the acquisition of these properties and subsequent development will enhance the effectiveness and appearance of the development. If the developer is unable to reach an agreement with the owners, this project will be unaffected.

Community Process:

The Department of Housing, together with Alderman Preckwinkle's Office made a presentation of the project to the Mid South Planning Commission on Tuesday April 21, 1998. The Mid South Planning Commission was responsible for advertisement for this meeting.

A second meeting to discuss the project and the developer was held at the King Center on Tuesday April 28, 1998. Alderman Preckwinkle's Office distributed many hundreds of flyers to individual homes, businesses and churches in order to advertise this meeting.

Recommendation:

Based on its review of the Proposed Project, the Department of Housing recommends that the Community Development Commission take the following actions, as embodied in the attached Resolution:

- 1) Approve the advertisement of the Department of Housing's intention to negotiate a Redevelopment Agreement with Hearts United Limited Partnership for the use of tax increment revenue for the redevelopment of the 43rd Street/Cottage Grove Avenue Tax Increment Redevelopment Project Area.
- 2) Approve the request for alternative proposals for the redevelopment of the 43rd Street/Cottage Grove Avenue Tax Increment Financing Redevelopment Project Area.
- 3) Designate Hearts United Limited Partnership as a developer in the Tax Increment Financing Redevelopment Project Area if no other responsive proposals are received.

Attachment 1

**43rd Street/Cottage Grove Avenue TIF
Sources and Uses Table**

Sources:

First Mortgage:	\$6,526,996
Prairie Mortgage - HUD Insured	
Second Mortgage:	4,994,458
DOH HOME funds	
CHA Capital	3,156,540
Federal 4% Tax Credits	<u>2,978,862</u>
Total Sources:	\$17,656,856

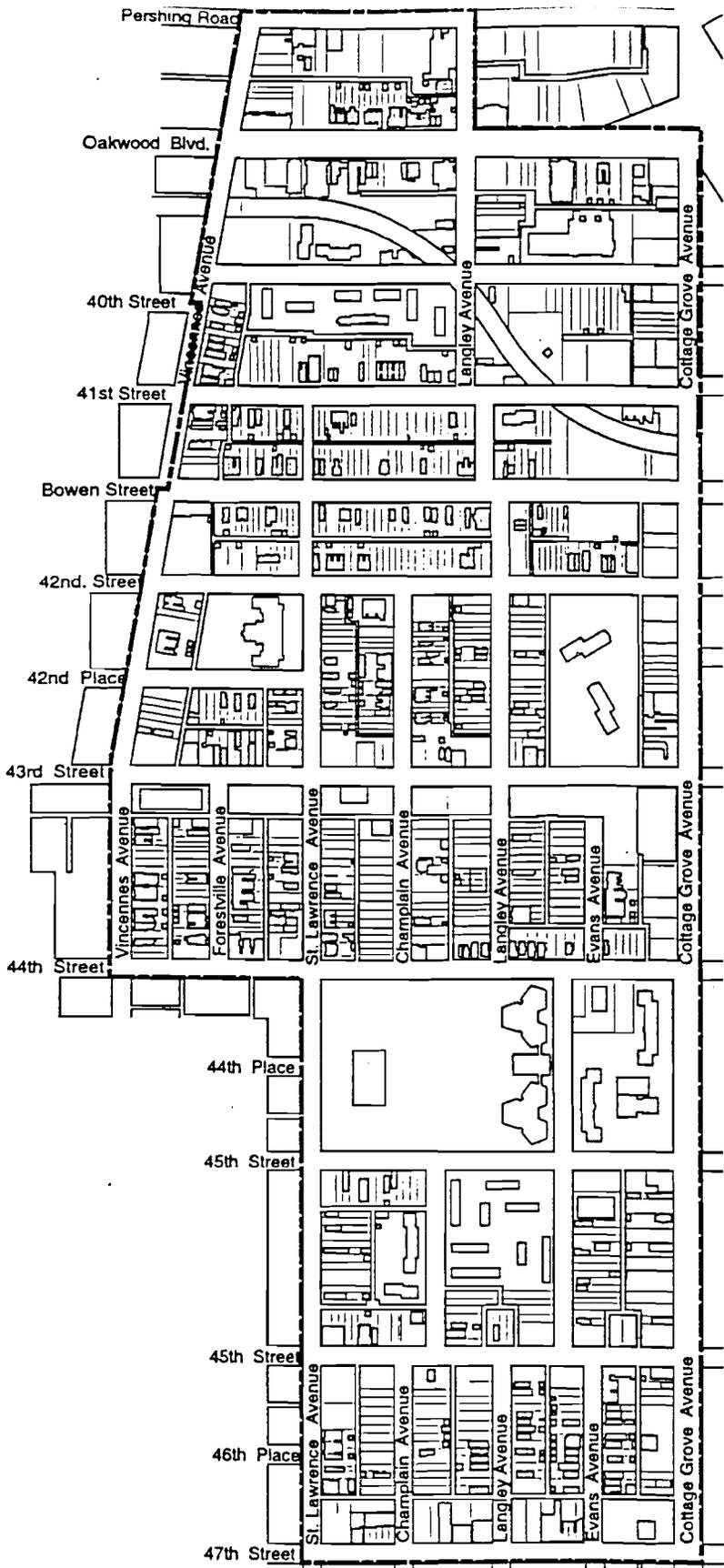
Uses:

Construction Costs:	\$13,287,464
Construction, Site Improvements	
Professional:	1,043,601
Architectural, Legal	
Financing:	1,158,151
Interest, Bond Costs	
Escrows:	1,142,640
Reserves	
Developer's Fee	1,000,000
Miscellaneous	<u>25,000</u>
Total Uses:	\$17,656,856

Attachment 2
43rd Street/Cottage Grove Avenue TIF
Estimated Redevelopment Project Costs

<u>Eligible Expense</u>	<u>Estimated Cost</u>
Analysis, Administration Studies, Surveys, Legal, Etc,	\$ 500,000
Property Assembly	
Acquisition	\$ 6,000,000
Site Prep and Demolition	\$ 3,500,000
Rehabilitation of Existing Buildings	\$ 5,000,000
Public Works and Improvements	
Streets and Utilities	\$35,000,000
Parks and Open Space	\$ 2,500,000
Relocation	\$ 1,500,000
Taxing Districts Capital Costs	\$ 2,500,000
Job Training	\$ 500,000
Developer/Interest Costs	<u>\$30,000,000</u>
Total Redevelopment Costs	\$87,000,000

The above costs are estimated and may vary. Amounts included in on line item may be moved to another line item or another category of eligible redevelopment project costs. There is no guarantee that the TIF will generate funds sufficient to satisfy this budget. This budget should be regarded as a determination of need within the Project Area.



--- Project Area Boundary

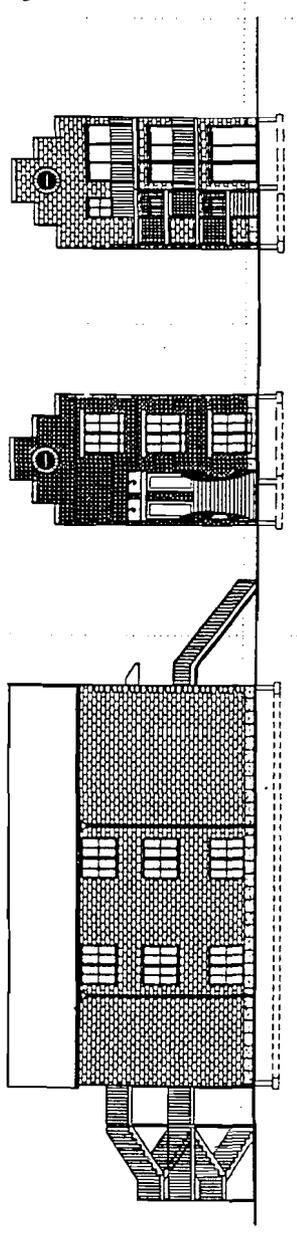
Figure 1
Project Boundary

43rd Street/ Cottage Grove Ave. Chicago, Illinois

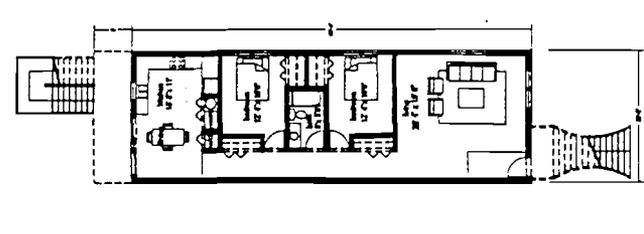
Tax Increment Financing Redevelopment Project Area

Prepared By Trkla, Pettigrew, Allen, & Payne, Inc.

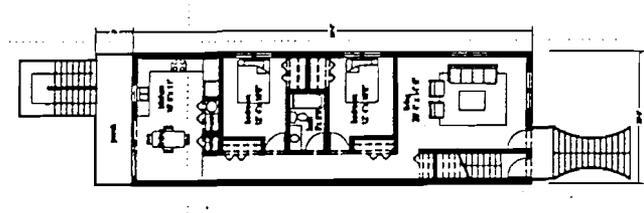
- 1.000' →
- 1.000' →
- 1.000' →
- 1.000' →
- 1.000' →
- 1.000' →



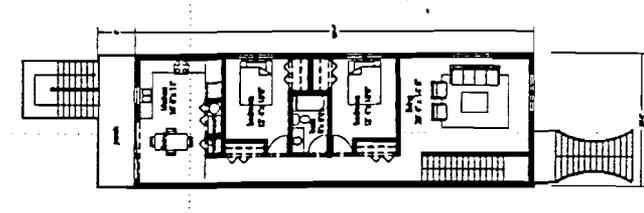
1 SIDE ELEVATION 2 FRONT ELEVATION 3 REAR ELEVATION



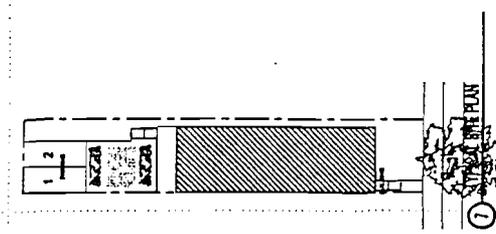
4 GROUND FLOOR



5 SECOND FLOOR



6 THIRD FLOOR



7 SITE PLAN



2BR THREE FLAT

PROJECT: BEAVER'S UNITED DEVELOPMENT INITIATIVE
 ARCHITECT: SOUTH/MANSON & ASSOCIATES
 DATE: 10/15/04
 SHEET: A2.2
 DRAWN BY: [Name]
 CHECKED BY: [Name]

2 BR THREE FLAT
 3 BEDROOM
 THREE FLAT A2.2

City-owned -
Not including
CHA

43rd Cottage Grove Phase I

535 E. Bowen Ave. (52) 20-03-217-015

537 E. Bowen Ave. (53) 20-03-217-016

619 E. Bowen (56) 20-03-218-009

621 E. Bowen (57) 20-03-218-010

(136) ~~20-03-404-004~~ 655 E. 43rd St.

(137) ~~20-03-404-005~~ 657 E. 43rd St.

■
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(141) ~~20-03-404-021~~ 4312 S. Langley A

(142) ~~20-03-404-022~~ 4314 S. Langley

(143) ~~20-03-404-023~~ 4316 S. Langley

(144) ~~20-03-404-024~~ 4320 S. Langley

(145) ~~20-03-404-025~~ 4324 S. Langley

648 E. 42nd St. (67) 20-03-218-049

650 E. 42nd St. (68) ~~20-03-218-050~~

660 E. 42nd St. (69) 20-03-218-054

4150 S. Langley (70) 20-03-218-055

642 E. 42nd St. 20-03-218-058

658 E. 42nd St. ! 20-03-218-053

530 E. 41st St.

20-03-210-042

522 E. 41st St. (7) 20-03-210-039

524 E. 41st St. (8) 20-03-210-040

528 E. 41st St. (9) 20-03-210-041

522 E. Bowen (25) 20-03-213-024

524 E. Bowen (26) 20-03-213-025

621 E. 41st St. (28) 20-03-214-011

623 E. 41st St. (29) 20-03-214-012

631 E. 41st St. (30) 20-03-214-013

635 E. 41st St. (31) 20-03-214-014

616 E. Bowen Ave (35) 20-03-214-032

618 E. Bowen (36) 20-03-214-033

620 E. Bowen (37) 20-03-214-034

724 E. Bowen (41) 20-03-215-019

740 E. Bowen (45) 20-03-215-031

742 E. Bowen (46) 20-03-215-032

748 E. Bowen (47) 20-03-215-033

(90) 20-03-224-006 4207 S. St. Lawrence

(91) 20-03-224-006 4209 S. St. Lawrence

(92) 20-03-224-007 4211 S. St. Lawrence

(93) 20-03-224-008 4213 S. St. Lawrence

(104)

(106) 20-03-226-045 4256 S. Langley

(107) 20-03-226-002 4205 S. Langley

(108) 20-03-226-003 4207 S. Langley

(109) 20-03-226-004 4209 S. Langley

(110) 20-03-226-005 4211 S. Langley

(111) 20-03-226-006 4215 S. Langley

(112) 20-03-226-008 4223 S. Langley

(113) 20-03-226-009 4225 S. Langley

(114) 20-03-226-010 4229 S. Langley

(115) 20-03-226-011 4233 S. Langley

